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TO: COUNCIL MEMBERS 
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: May 1, 2019
RE: SOMA Redevelopment Brownfield Redevelopment Plan
PA 381 of 1996 **PUBLIC HEARING**

The Brownfield Redevelopment Financing Act 381 of 1996

The Brownfield Redevelopment Financing Act 381 of 1996 provides tax incentives (i.e. tax increment financing) to develop brownfields properties in an area at or on which there has been a release (or threat of release) or disposal of a hazardous substance.

SOMA Redevelopment Brownfield Redevelopment Plan

Woodward Mack 22, LLC, is the project developer and owner of the Property. The project will include the new construction of a parking deck to support the rehabilitation projects occurring at the existing office building located on 115 Erskine and the nearby 100 Mack Avenue office building, into Class A space (the new building at 100 Mack Avenue is not part of the eligible property). The parking deck will be an integral part of restoring the office building occupancy, and it is also needed to support the proposed redevelopment nearby. The project will include the demolition of an existing surface parking lot and other current site features in order to restore the area, in addition to the rehabilitation of the 115 Erskine office building.

A 6-story parking structure totaling approximately 580 spaces, with approximately 6,730 square feet of ground floor retail is proposed as a cornerstone towards jumpstarting efforts to grow the SOMA District.¹ The property will contain retail space on the first floor and support mixed use within the SOMA District, including adjacent retail, commercial space and a proposed future hotel.

¹ "SOMA District" standing for "South Of Mack Avenue" <http://www.dailydetroit.com/2017/04/12/soma/>

The total investment is estimated between \$20 and \$22 million.² The developer is requesting a \$10,000,000 TIF,³ though it is projected that only approximately \$7,175,326 will be captured under the Plan. It is currently expected that this project will create approximately 100 temporary construction jobs and 200 permanent jobs. The reimbursement and the total costs under the plan:

COST TO BE REIMBURSED WITH TIF	Tax Capture
1. Environmental Assessments	\$35,000
2. Demolition (Existing Parking Lot)	\$261,000
3. Infrastructure Improvements– Parking Structure	\$9,644,000
4. Brownfield Plan & Act 381 Work Plan	\$60,000
*Total Reimbursement to Developer	\$10,000,000
7. Authority Administrative Costs	\$1,261,748
8. State Brownfield Redevelopment Fund	\$413,565
9. Local Brownfield Revolving Fund	\$0
TOTAL Estimated Costs	\$11,675,313

Property Subject to the Plan

The property comprising the eligible property consists of 4 parcel(s). The associated addresses are 81 Erskine Street (which contains two parcels), 115 Erskine and 3500 Woodward Avenue located in Detroit’s Midtown neighborhood, north of downtown, bounded by Woodward Avenue to the west, Mack Avenue to the north, John R Street to the east, and Erskine Street to the south.

Basis of Eligibility

The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) the Property was previously utilized for a commercial purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the Property is determined to be a the Property is determined to be a facility or adjacent and contiguous to a facility, as defined by Act 381.

Eligible Activities and Projected Costs

The “eligible activities” that are intended to be carried out at the Property are considered “eligible activities” as defined by Sec 2 of Act 381, because they Environmental Site Assessments, site demolition activities, infrastructure improvements, and preparation and implementation of a brownfield plan and/or work plan. The eligible activities and budgeted costs are intended as part of the development of the Property and will be financed solely by the Developer. The Authority is not responsible for any costs of eligible activities and will incur no debt. The eligible activities are estimated to commence within eighteen (18) months and be completed within three (3) years.

In addition to the Brownfield, the developer has applied or will apply for a property tax abatement under the Commercial Rehabilitation Act, PA 210 of 2005⁴ abatement. **The capture period for this Brownfield request is for 30 years.**

² The project developer is investing an additional \$3 million toward renovating and updating the office building at 100 Mack Avenue (former Red Cross) as Class A office space.

³ Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

⁴COMMERCIAL REHABILITATION ACT (MCL 207.841 - 207.856) AN ACT to provide for the establishment of commercial rehabilitation districts in certain local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain qualified facilities; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of certain local governmental officials; and to provide penalties.

Tax increments are projected to be captured and applied to (i) reimbursement of eligible activity costs and payment of DBRA administrative and operating expenses, (ii) make deposits into the State Brownfield Redevelopment Fund, and (iii) make deposits into the DBRA's Local Brownfield Revolving Fund, as follows:

	<u>Reimbursement Costs</u>	<u>Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$3,158,018	\$0		\$0
State Education Tax	\$526,336	\$0		\$413,565
City Operating	\$1,771,239	\$640,182		\$0
Library	\$411,091	\$148,581		\$0
Wayne County	\$694,398	\$250,978		\$0
HCMA	\$18,998	\$6,866		\$0
RESA/Special Ed	\$307,543	\$111,156		\$0
Wayne County Community College	\$287,702	\$103,985		\$0

TOTAL **\$7,175,326***

In addition, the following taxes are projected to be generated but shall not be captured during the life of this Plan:

City Debt	\$844,059
School Debt and Judgment	\$1,567,538
DIA	\$24,116
Zoo	\$12,058
TOTAL	\$2,447,771

*The total not to exceed amount requested for approval is \$10,000,000. The eligible expenses are well in excess of this amount so should revenues be available, the developer is requesting up to \$10,000,000 be reimbursed.

Description of the Eligible Property

Address	Tax ID	Owner
81 Erskine Street	01004187.001	Woodward Mack 22, LLC
81 Erskine Street	01004187.007	Woodward Mack 22, LLC
3500 Woodward Avenue	01004187.006	Woodward Mack 22, LLC
115 Erskine	01004187.002	Woodward Mack 22, LLC

Feasibility of the Brownfield Approval

The Property is considered "eligible property" as defined by Act 381, Section 2 because (a) the Property was formerly utilized for a commercial purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the Property is determined to be a facility or adjacent and contiguous to a facility, as defined by Act 381, and the development of the adjacent and contiguous parcel is estimated to increase the captured taxable value of the remainder of the eligible property.

- On December 2015, Soils, Materials, and Engineers (SME) conducted a Phase II Environmental Site Assessment (ESA)⁵ and Baseline Environmental Assessment (BEA)⁶ for the Developer. Analytical results documented contamination on the parcel currently identified as 81 Erskine Street, associated with arsenic and mercury above applicable MDEQ⁷ Part 201 cleanup criteria. Therefore, the property meets the definition of a "facility."⁸

Please contact us if we can be of any further assistance.

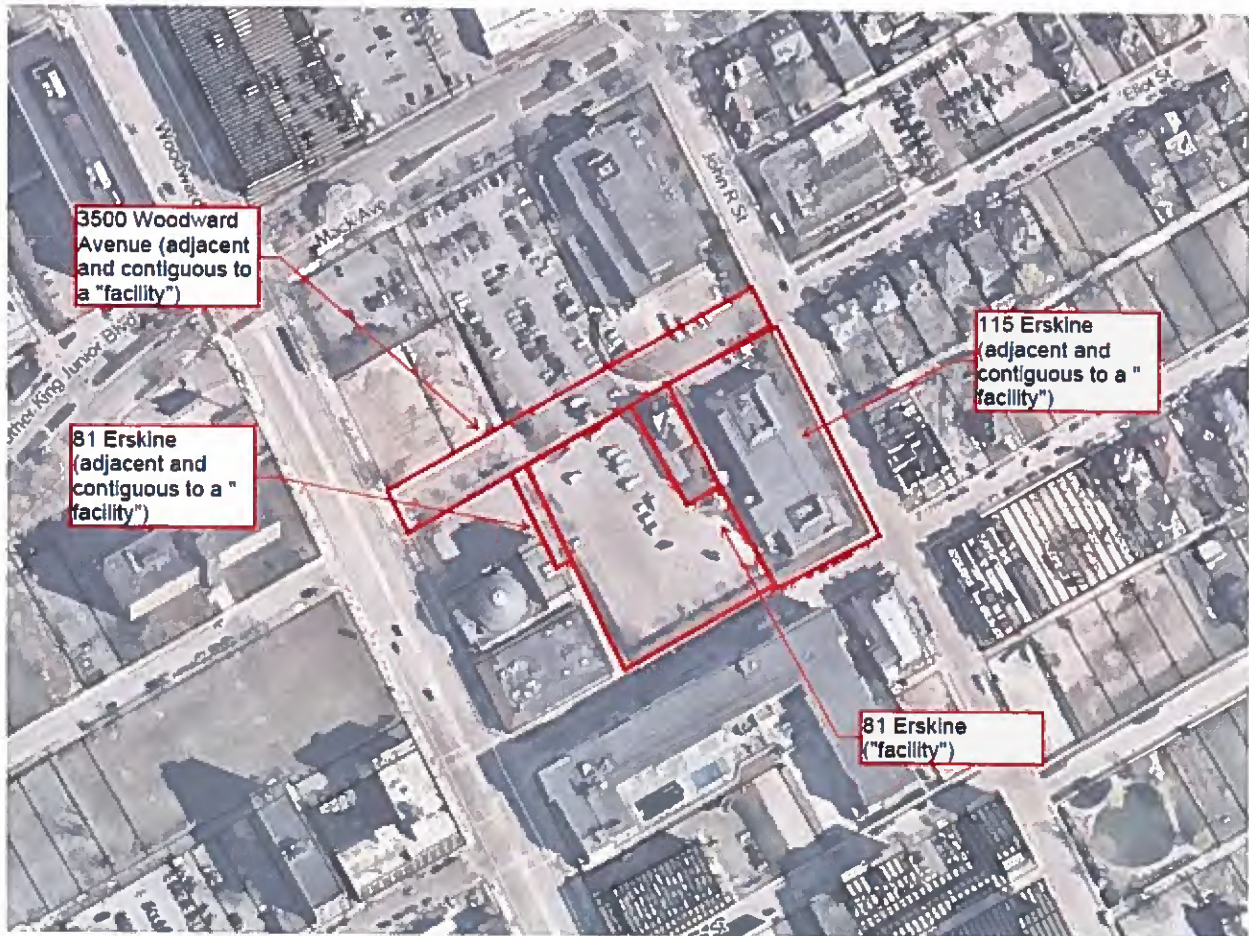
cc: Auditor General's Office
 Arthur Jemison, Chief of Services and Infrastructure
 Maurice Cox, Planning and Development Department
 Donald Rencher, HRD
 Veronica Farley, HRD
 Stephanie Grimes Washington, Mayor's Office
 Malinda Jensen, DEGC
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC

⁵ **Phase II ESA** could include surficial and sub-surficial soil analysis, or groundwater analysis, or installing monitoring wells, or indoor air sampling, mold sampling, asbestos sampling, lead sampling, etc. The need for any sampling or testing in Phase II Environmental Site Assessments is based purely on the findings of the Phase I ESA.

⁶ **A Baseline Environmental Assessment (BEA)** is an evaluation of environmental conditions for a piece of property or facility prior to being purchased. A BEA focuses on the contamination of hazardous substances on the piece of property.

⁷ The Michigan Department of Environmental Quality

⁸ "Facility" means any area, place, or property where a hazardous substance in excess of the concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. 1994 PA 451, MCL 324.20101



Site of the SOMA Redevelopment Project

Table 1: Eligible Activities Cost Estimates			
Item/Activity	Total Request	MSF Act 381 Eligible Activities	MDEQ Act 381 Eligible Activities
Pre-Approved Activities			
Phase I ESA	\$ 5,000		\$ 5,000
Phase II ESA/BEA/DDCC	\$ 25,000		\$ 25,000
Hazardous Materials Survey	\$ 5,000		\$ 5,000
Pre-Approved Activities Sub-Total	\$ 35,000	\$ -	\$ 35,000
Demolition			
Removal of Parking Lots	\$ 261,000	\$ 261,000	
Demolition Sub-Total	\$ 261,000	\$ 261,000	\$ -
Infrastructure Improvements			
Multi-Level Parking Structures	\$ 9,644,000	\$ 9,644,000	
Infrastructure Sub-Total	\$ 9,644,000	\$ 9,644,000	\$ -
Preparation of Brownfield Plan and Act 381 Workplan			
Brownfield Plan Preparation	\$ 30,000	\$ 30,000	
Brownfield Plan Implementation	\$ 30,000	\$ 30,000	
Brownfield Plan and Act 381 Workplan Sub-Total	\$ 60,000	\$ 60,000	\$ -
Eligible Activities Sub-Total	\$ 10,000,000	\$ 9,965,000	\$ 35,000
TIF Capture for Local Site Remediation Revolving Fund	\$ -	\$ -	\$ -
Administrative Fee	\$ 1,261,748	\$ -	\$ -
State Brownfield Fund	\$ 413,565	\$ -	\$ -
Total	\$ 11,675,313	\$ 9,965,000	\$ 35,000

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⁹ Estimated Cost of Eligible Activities Table

City of Detroit
CITY COUNCIL
COUNCIL PRESIDENT BRENDA JONES

INCENTIVE INFORMATION CHART:

Project Type	Incentive Type	Investment Amount	District
Mixed-Use – Retail/Parking	Commercial Rehabilitation Tax Abatement / Brownfield Plan	\$18-20mm hard cost / \$20-22 million total	Midtown

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
0	0	90	10	20-30 FTE Retail and 200 FTE Office	0	0	0

1. What is the plan for hiring Detroiters?

The development team will present at a D2D session following determination of the bld needs and procedures to obtain Detroit-based contractors for this project. The development team plans to also present at a Skilled Trades Task Force, to assist in connecting with additional Detroiters for the project.

2. Please give a detailed description of the jobs available as listed in the above chart, i.e: job type, job qualifications, etc.

In the short-term, approximately 100 construction jobs are anticipated to be created. The proposed redevelopment will create space for up to 20-30 jobs associated with retail. Upon rehabilitation, 115 Erskine will create space for approximately 200 office jobs.

The Construction jobs will consist of,

- Demolition - Laborers
- Civil Engineers
- Architectural/Interior Buildouts – Laborers, Carpenters, Cement Masons, Bricklayers, Glaziers, Iron Workers, Roofers, Painters
- Elevators – Elevator Constructors
- Fire Protection – Pipe Fitters
- Mechanical – Pipe Fitters, Sheet Metal Workers
- Plumbing – Plumbers
- Electrical – Electricians

3. Will this development cause any relocation that will create new Detroit residents?

This development is not anticipated to cause any relocation as the property is not occupied by any tenants.

4. Has the developer reached out to any community groups to discuss the project and/or any potential jobs?

The Developer intends to utilize D2D sessions to ensure Detroit-based contractors and workers benefit from

the project. Support letters have also been received by neighborhood organizations including Midtown Inc., and Brush Park.

5. When is construction slated to begin?

April/May 2019

6. What is the expected completion date of construction?

December 2020

Project Investment Estimates to Date

Hard Costs: Approximately \$18-20 million

Total Costs: Approximately \$20-22 million